

Pakistan's Sugar Scandal Report: Political Manoeuvre or Real Accountability

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Summary

The Pakistan government has published an investigation report on the sugar crisis in the country that has led to political rifts. The report has exposed both government inefficiency and massive profiteering by industrialists. However, is this revelation a mere political stunt or will it result in real change?

Introduction

While the Coronavirus reveals weaknesses in Pakistan's health system, reports of a sugar crisis remind the public that other institutions may not be in good shape either. Since Imran Khan's party, Pakistan Tehreek-e-Insaf (PTI) came to power in August 2018, sugar prices have soared by 45 per cent. As sugar is an essential commodity, the public, especially the poor, have lambasted Khan for turning back on his promises of accountability and efficient governance. Khan directed an inquiry committee in February 2020 to probe into the matter and promised to make the investigation report public.

Findings of the Report¹

The report finds that the main factor behind the sugar crisis was a fall in the production of sugarcane and sugar. Sugarcane (major raw material for sugar) production fell by 19 per cent in 2018-19 and only increased slightly in 2019-20. Following a similar trend, sugar production decreased by 20 per cent in 2018-19 and then by 8.7 per cent in 2019-20. Sugarcane output could have decreased as the rupee depreciation over the last two years led to an increase in prices of imported fertilisers and the cost of production. However, since much of the price increase in sugar took place before the sugar cane harvesting period, it implies that non-market forces like speculation played a significant role in the crisis.²

The report also highlights the government's mishandling of sugar exports, which led to a shortage in the domestic market. Each year, before the crushing season, Pakistan Sugar Mills Association (PSMA) negotiates the export permit and sugar subsidy with the government. In 2018-19, the PTI government in the centre granted a subsidy of PKR2 billion (S\$16.5 million) and its government in Punjab further granted a subsidy of PKR3 billion (S\$25 million). The report states that there is "enough evidence that the export of sugar is one of the reasons for the increase in the price of sugar in the domestic market." It further

¹ Report of The Commission of Inquiry constituted by Ministry of Interior to probe into the increase in sugar prices, 21 June 2020. <https://www.newsweekpakistan.com/daisnews/wp-content/uploads/2020/05/sugar-report.pdf>. Accessed on 25 June 2020.

² Ibid, p. 50.

highlights that there was no need to grant subsidy because Pakistan's sugar was already competitive in international markets because of rupee depreciation.³

The report also alludes to many other factors like hoarding and forward contracting. However, since these malpractices have existed for long, it seems that they only preponed or exaggerated the crisis that was to come from the fall in sugarcane production.

Political Significance

The report is a populist step by Khan by unveiling the alliance of the industrialist and political elite. It reveals how industrialists have benefitted by price surge and sugar subsidy to make huge profits of PKR40.7 billion (S\$337 million).⁴ All major sugar mills are owned by either politicians themselves or their close relatives. The stronghold of political families over the sugar industry suggests that the export permit and sugar subsidy were not only a result of government miscalculations, but also an exercise of political clout. Khan did not take any strong action against these politicians except shuffling some portfolios in his cabinet.⁵ However, revealing this nexus has helped him align himself with the public and shift the criticism towards the institutionalised industrial-political alliance.

Moreover, the report is also a tool for the PTI to weaken the opposition. The sugar crisis was the result of a fall in sugarcane production and poor decision making by the PTI government both at the centre and in Punjab province. The report, nevertheless, also makes the opposition culpable. It deliberately extends its period of the investigation back to the times of Pakistan Muslim League Nawaz's government and highlights remotely related mistakes. Moreover, the report also drags the Pakistan People Party's (PPP) government in Sindh by evaluating the sugar subsidy scheme in 2017-18, where it alleges the PPP of favouring the Omni Group in subsidy allocation.

However, the political attack on the opposition or the populist turn came at a cost to the PTI. It has weakened the internal cohesion of the party leadership. Since the beneficiaries of the subsidy include sugar mills of two of PTI's own senior leaders, Jehangir Tareen and Khusro Bakhtiar, it appears that Khan has turned against members of his own party. Sparking inter party conflicts, the report has been followed by some party leaders explicitly testifying to the media about the breakdown of internal leadership cohesion and the increasing reliance on technocrats for governance.⁶

Future Implications of the Report

Despite the politics surrounding it, in the wider scope of things, this report is quite significant. It helps to define a public interest distinct from that of the industrialists and

³ Ibid, p. 75.

⁴ Ibid, p. 72.

⁵ Maqbool Malik, "In a significant move, PM Imran Khan shuffles cabinet", *The Nation*, 7 April 2020). <https://nation.com.pk/07-Apr-2020/in-a-significant-move-pm-imran-khan-shuffles-cabinet>. Accessed on 26 June 2020.

⁶ Interview of Fawad Chaudhry by Voice of America, 22 June 2020, https://www.youtube.com/watch?v=70X39lQ_k88. Accessed 1 July 2020.

sends a message to politicians that government institutions are not patronage networks. This message, in the short run, could help prevent another crisis at a time when food security is much more important due to the pandemic. In the long run, this report could be very important for Pakistan's growth as it could set a precedent for greater transparency in governance.

All in all, the sugar report has caused some unease in the political landscape of the country. However, if the report compels the government to better negotiate with the PSMA, then it has proved to be more than just a political gimmick.

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